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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 000631

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STATE FOR NEA/ARPI, STATE PLEASE PASS TO USTR FOR  
PBURKHEAD, LONDON FOR TSOU

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SUBJECT: NEW COMMERCE MINISTER CALLS FOR GOK ACTION ON  
IMPLEMENTING REFORMS

REF: A. KUWAIT 587

[¶](#)B. KUWAIT 089

[¶](#)C. 05 KUWAIT 4552

[¶](#)D. FEB 21 ECONOFF TELCON WITH USTR'S PAUL BURKHEAD

Classified By: Ambassador Richard LeBaron. Reasons 1.4 (b) and (d)

[¶](#)1. (C) Begin Summary: During a February 22 introductory meeting with the Ambassador, new GOK Commerce and Industry Minister Dr. Youssef Al-Zalzalah (one of two Shia cabinet members), appearing energized, underscored his commitment to implementing pending economic reforms on taxation, IPR, telecommunication, and investment, to demonstrate the GOK's commitment to tangible results in support of ongoing TIFA discussions and broader GOK economic priorities. The Ambassador pointed to the recent TIFA discussions in Washington as an important step, with much more work to be tackled. End Summary

Need to Maintain Momentum on Reforms

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[¶](#)2. (C) On February 22, the Ambassador met with newly appointed Minister for Commerce and Industry, Dr. Youssef Al-Zalzalah, a moderate Shia Islamist and former Member of Parliament where he served briefly as Chairman of the National Assembly's Finance and Economic Committee. Ambassador congratulated Al-Zalzalah on his appointment and encouraged continued momentum on pending economic reforms.

[¶](#)3. (C) Ambassador pointed out that the February 7 USTR-led TIFA discussions in Washington were "very productive and very useful" in identifying key issues on the TIFA agenda. Noting the detail-oriented nature of FTA negotiations, the Ambassador cautioned against underestimating the difficulties associated with the process and urged continued momentum and open dialogue between both sides to ensure progress.

[¶](#)4. (C) Hamid Al-Ghanim, the GOK's TIFA delegation head and Assistant Undersecretary for Overseas Commercial Affairs, described the discussions as successful, voicing satisfaction with the results and commenting that resolution of the AT&T dispute remained "the most important issue" for the U.S. side. On IPR, Al-Zalzalah expressed his keen interest in ensuring the inclusion of punitive measures in the new IPR law and endorsed Al-Ghanim's recommendation to raise the matter with the GOK Information Minister.

[¶](#)5. (C) On labor issues, Al-Ghanim noted that Undersecretary Adnan Al-Omar from the Ministry of Social Affairs and Labor informed USTR officials that the new law was under final committee review in the National Assembly. (Note: We are not

sure whether this is accurate.) Regarding telecom matters, Al-Ghanim pointed out that the Communications Ministry, in an effort to enhance flexibility and efficiency, would establish four independent authorities on transportation, telecommunication, postage and fixed telephones to ensure progress on these respective fields. He explained that the new divisions would ensure greater operational flexibility.

¶6. (C) On technical barriers to trade, the Ambassador, echoing USTR concerns (ref D), underscored the importance of ensuring that the GOK's Conformity Assessment Scheme (CAS) was WTO compliant, pointing out that WTO commitments supersede GCC requirements. Al-Zalzalah and Al-Ghanim explained that the Ministry was committed to ensuring WTO compliance. According to Al-Ghanim, the GOK was coordinating with the GCC to ensure that the GCC's planned uniform pre-inspection regime proposal would be reviewed by the WTO to ensure compliance.

¶7. (C) On taxation, the Ambassador urged increased GOK cooperation to remedy the arbitrary taxation affecting U.S. companies. Al-Zalzalah pointed to a pending proposal before the National Assembly to reduce the foreign corporate tax rate from 55% to 20%. He offered to follow-up with the Finance Minister (GOK lead on tax reform) to encourage timely resolution of the tax problem. Al-Zalzalah added that he has underscored to National Assembly Speaker Jassim Al-Khorafi the urgency of passing these and other pending legislative reforms to demonstrate GOK "action and not just words."

¶8. (C) On investment, Al-Zalzalah offered to get back to the Ambassador with details on progress toward establishing a Capital Markets Authority for Kuwait to enhance oversight and regulation of the market by an independent authority (see ref C for previous reporting).

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Bio Note

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¶9. (U) Al-Zalzalah, a moderate Shi'a Islamist, born July 23, 1959, was appointed Minister of Commerce and Industry, his first ministerial post, in February 2006. His appointment increased to two the number of Shi'a ministers in the Cabinet; Planning Minister Dr. Ma'souma Al-Mubarak is the other. Prior to his appointment, he was a first-time Member of Parliament, elected to the National Assembly on 5 July 2003 where he served as Chairman of the Financial and Economic Affairs Committee, Rapporteur of the Committee Investigating Kuwait Airways Corporation Violations, and a member of the National Assembly Bureau. He had previously turned down three ministerial positions and is a leading ) some would say the leading ) figure among Kuwait's Shi'a minority. Prior to joining the National Assembly, he was Professor of Economics and Assistant Dean for Academic Affairs and Research at Kuwait University.

¶10. (U) Al-Zalzalah supports economic and financial sector reform, private sector development, and reform of the electoral system. He favors a reduction in the number of electoral constituencies to 10 from the present 25, though he has some concern that reducing the number of electoral districts could disadvantage Shi'as. He has argued that Kuwait should not sign an FTA with the U.S. if it requires Kuwait to lift its economic boycott of Israel. He is a vocal advocate of women's rights. He opposes the GOK's planned development of the northern oil fields.

¶11. (U) He voted for legislation granting women political rights. In 2004, he voted for draft legislation on Kuwait joining the International Agreement to Combat All Forms of Terrorism and the International Agreement against the Proliferation of Nuclear Substances. He also voted for draft legislation on establishing an Islamic body to regulate and develop the private sector. He abstained in a no confidence

vote on former Finance Minister Mohammed Al-Nouri. He did not vote against any major legislation in Parliament.

¶12. (U) He speaks excellent English and has a PhD in statistics from Colorado State University. He has visited the U.S. many times.

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